

BUSINESS RESOURCE CENTRE

Starting a Bookstore

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INTRODUCTION

The key to any business success is you yourself, the owner/manager. Only after you have carefully assessed what is required to properly set up the operation, developed a workable business plan covering all relevant factors, is it the time to open the doors. But remember, only ongoing evaluation and an ability to adjust quickly to the changing business environment will enable your business to achieve its planned profitability.

Initially you must be prepared to invest adequate time to ensure that your business is properly established. In this handbook we identify some of the key areas where management effort must be concentrated prior to opening a bookstore. Any successful business requires many diverse skills, such as salesmanship, accounting, purchasing, advertising, and financial management. Your ability to properly work and develop in these areas will directly affect the future success of the operation.

Of course, in any business, nothing can replace experience. If possible, work for someone else in a bookstore, if it is only for a few months. This will provide you with valuable insights into potential problems you may face when running your own store. Never forget that you are in business with the primary objective of making a profit. So, before starting out, be certain you have all the skills needed to succeed, and that your motives for starting up a business have been carefully thought out.

There are 93 Retail Book Dealers, 11 Wholesale Book Dealers and 26 Used and Rare Book Dealers listed in the yellow pages of the Telephone Directory.

The book business in Canada is strong with sales increasing 12-15% annually. In Winnipeg its a tough market with annual increases estimated at 5 and 8%. Ten years ago, Mary Scorer was the city's most visible independent bookstore, and Eaton's book department was mother to all. Since then, 5 more independents have entered the market with chains shuffling positions to the shopping centres, there has been in all, a net addition of three chain locations in the last 10 years. These chains are estimated to control 40% of the national market and as much as 65% locally as they feed off high traffic of the malls.

Today there are a variety of different types of bookstores you could consider opening.

- (i) Specialized Bookstore - dealing with a specialized target market. e.g. children's books.
- (ii) General Bookstore - carries a large variety of books dealing with a wide range of subject matters. This includes hard-cover, paperbacks, trade paperbacks and reminders (cards, magazines, etc).
- (iii) Used Bookstore (Book exchange) - used books are bought from customers. A price is given towards the purchase of books from the store.

Before choosing which type or combination of types of store you're considering opening, be sure to research your market thoroughly. There must be a need for your business in order for you to be successful.

LEGAL CONSIDERATIONS

In starting a bookstore, thought must be given to the business structure your operation will assume. The more common alternatives include sole proprietorship, partnership, and incorporation. Each of these business structures has its own advantages and disadvantages. Factors such as the ease and cost of organization, financing, management risk, liability and tax considerations will all influence your decision regarding the business structure most suited to your own needs. As a retailer, you will be required to have a Business Name Search done before registering your business name. As well, you must obtain a provincial sales tax number, and register with the Worker's Compensation Board. Compliance with all tax and employer regulations is also essential. The Business Resource Centre has produced a handbook, Starting a Small Business in Manitoba, which summarizes many of your responsibilities in areas of licensing, permits, taxes, etc.

It is also essential that you determine your insurance needs prior to starting your business venture. The main types of insurance to consider are:

General Insurance - most often this type of coverage includes insurance on the assets of the business, liability insurance on premises and vehicles, fire insurance, crime coverage, and business interruption insurance.

Life Insurance - usually this coverage is placed on the lives of owners. (Often partners will purchase life insurance on each other's life in order to ensure continuance of the business).

Workers' Compensation - this is required by Manitoba law to reimburse employees injured on the job for any loss of wages suffered as a result of this injury.

LOCATION

One of the most important decisions which has to be made is where to locate your store. The major considerations are the cost of the premises to be occupied, and the ability of business to generate adequate sales to support these costs. That ability is influenced in turn by three main factors:

Prospective Customers

You must be reasonably certain that there are enough potential customers in the area you select to supply the volume needed to make the business viable. The product that you provide should be geared to the makeup of the population. If you are selling children's books, it would be wise to locate in an area where there are families with children. You can either choose a product (adult books, children's books, religious books) and then select a location in a suitable market, or find a location and provide a product suited to the surrounding location. You should attempt to learn as much as possible about that target market -- income levels, demographics, etc.

Competition

In considering competition, remember that too many similar stores can over-saturate a market area and result in loss of business for all. This consideration is especially important in a shopping centre. Competition for independent bookstores is increasing, with the growth of chains such as Cole's, W. H. Smith and Classics. Supermarkets such as Safeway and Super Valu also have extensive stocks of books and magazines. You would therefore try to offer a somewhat different product, in terms of alternative titles and customer service. That service would include special orders, which can make up 20% of your total business. (Institutional business, i.e. libraries, schools, government departments, etc. can be a good boost to your bookstore but be aware of discounts made available to these agencies.)

Visibility/Accessibility

Since many purchasing decisions are made on a spur of the moment basis, it is important that your store be highly visible and easily accessible. Your location should be accessible from several areas, with adequate public transportation and parking facilities to meet the needs of your customers. The store should be clearly visible from as many points as possible.

Generally, bookstores offering a wide selection of publications are located in areas of heavy pedestrian traffic, generated in part by other nearby businesses. Such a location should afford easy, convenient access and good store front visibility. However, related occupancy costs in such mall-type locations can often be quite high and must be carefully balanced against the inherent physical advantages such a location offers. The Canadian Booksellers Association (CBA) suggests that rental costs, including normal overhead items such as utilities, taxes, and insurance, seldom should exceed 12% of the total sales. Shopping mall locations are most costly, but usually produce the highest sales volumes.

In choosing an appropriate location for your bookstore, thorough research is strongly recommended. Sources such as Statistics Canada, banks, Chambers of Commerce, and trade associations can provide you with a wealth of information on the prospective location and its surrounding community. Traffic flows also should be analyzed prior to making any decisions on the location of your business. Flow studies should be conducted over a period of days in order to eliminate any extraneous variables, and to provide a clear and concise picture of the traffic patterns in the area.

If you are considering the purchase of an existing operation you should investigate the site's history. Interviews with former tenants can provide information about the area which might otherwise be difficult to obtain. Since any problems which have arisen in the past are likely to recur, a study of the site's history should help you assess its potential effect on your business. Government or community plans for the area should also be investigated. For example, it would be unwise to locate your bookstore in an area which is to be zoned as an industrial area in two year's time.

Enquiries should also be made about plans for roads, bridges, and highways which could conceivably effect the traffic flow in the area.

In some instances there is little flexibility in where you locate your business. For example you may need to be in an area of high vehicle and pedestrian traffic in order to be successful.

LEASING

Having decided on a location, and assuming that you won't be constructing or purchasing your own building, drawing up a lease of occupancy for your store is the next step. The lease agreement should clearly specify the liabilities and duties which are assumed by the lessor and the lessee. Once the lease has been drawn up, you should have it reviewed by your lawyer to ensure that your interests are protected and that all relevant aspects of occupancy have been covered. The costs of leasehold improvements to suit your needs will require careful estimation and this is an area where many a new venture fails to consider the real costs. Things like painting, paving, plumbing, landscaping, partitioning, wiring, etc. can add up to substantial amounts. One clause that should be included in virtually all lease agreements is one which permits you, the tenant, to sublet the premises in case of business failure or relocation. Most lease payments are made either on a flat monthly basis or a percentage of the total annual gross sales. The features of these two types of lease payments should be carefully examined relative to your own particular situation.

Since rent is the major cost in owning and running a business, periodic evaluations of space usage should be made to ensure that it is used efficiently. One means of evaluating space usage involves calculating the sales per square foot of selling space. For a book store, trade averages and experience seem to suggest that the annual average rate is approximately \$147 per square foot. Any ratio computed should only be used as a rough guideline in testing efficiency of space usage.

A brief example may help to explain this type of computation and also show the usefulness of the ratio obtained. Suppose the store has a total area of 2200 square feet, 2000 of which is used for retail selling. If sales for

the year are \$80,000, the sales per square foot ratio is:

\$80,000 or \$40 per square foot.
2,000

Given the range which is normally expected in this type of organization the \$40 per square foot amount calculated would suggest that the floor space is not being used efficiently. Corrective action, such as rearranging merchandise or altering the mix, should be taken.

BUYING AN EXISTING OPERATION

When you are considering purchasing an existing operation there are a number of areas to refer to.

1. The Business Opportunity section of the newspaper. This indicates opportunities available in the surrounding area.
2. Real Estate brokers who deal in business opportunities.
3. Trade publications which are an excellent source if you are interested in a specific type of business.
4. Word of mouth can be effective in some instances especially if you are currently active in the field in which you wish to purchase your business.

Instead of establishing your own bookstore, you might consider the purchase of an existing store. If an existing operation is acquired, the purchase price would normally be negotiated to include all inventories, fixtures, etc. However, it is critical that sufficient time and effort are spent in assessing the operation in order to avoid purchasing a nonviable business.

Firstly, find out the reason for selling. Is it because the location has been rezoned, or is it because the owner is moving? Study the merchandise and stock -- it may be in poor condition. Verify the firm's operational viability by examining the financial records and up-to-date financial statements. Check the credit rating of the firm, for a poor reputation within the industry may be impossible or costly to change. Finally, study the area. Is it one which is deteriorating? Have the local zoning authorities rezoned the area for heavy industry? Have there been some new traffic developments which will alter the present traffic flows to

the detriment of the present location? Careful consideration of all these factors is essential before buying an existing operation.

Before making any decisions, carefully consider the following:

1. Find out why the business is being sold. Is it due to poor management, competition, or is the area deteriorating? Identifying the reasons for the sale may prevent you from making a poor investment.
2. Carefully audit the financial records for the last three years if possible. Ensure yourself that there are no unregistered liens against equipment, back taxes, or pending lawsuits.
3. Try to substantiate the sales volume in the records. Visit the operation and determine whether, in fact, the recorded sales volumes could be attained by the observed traffic.
4. Determine the value of the existing inventory. A physical count should be taken to establish a fair price taking into consideration its saleability, condition and style. As well, proper depreciation should be allowed for inventory items. Stock may have a certain book value, but if it cannot be sold, the inventory is worthless.
5. Determine what remodelling of the premises will be required before you can commence operations. You may wish to consult an interior designer.

STORE DESIGN & LAYOUT

If first impressions are lasting, it follows that the windows or immediate interior displays are what customers will see and use for criteria by which to judge the store. This is especially true of new or potential customers rather than of an already loyal clientel.

Many outside stores still rely heavily on their exterior window displays to capture the attention of passersby. On the other hand, newer stores in shopping malls are often without windows. Therefore, visual attention is centered on interior displays.

1. Window Displays

It is essential that displays have an immediate impact on customers because it has been estimated that only eleven seconds are spent looking in a store window. The different types of

windows used for display are important to know because some may be more effective than others in conveying to the customer the image and promotional picture of the store.

- A) Straight front, closed - glass enclosed area from floor to ceiling in window area facing street or mall, which is closed off from the interior of the store.
- B) Straight front, open - glass enclosed area from ceiling to floor facing street or mall, which is open to the interior of the store.
- C) Shadow box - small, enclosed windows, usually at eye level, that are appropriate for displaying smaller items. This is often an effective display for displaying feature authors or new releases.
- D) Corner window - window that can be seen from two access points. This is an effective display as goods can be seen from more than one direction thus giving the store better exposure.

2. Interior Displays

Interior displays are a form of advertising that attempts to reach the customer at the point of sale. Through the use of color, texture, props, backgrounds and lighting, merchandise is made to look more appealing.

Effective interior layout promotes 'people flow' and allows for orderly book selection, thus stimulating sales. The interior should be spacious with logical indexing of publications by type of author. If the customer has to conduct a comprehensive search to locate a desired book, he may become frustrated and leave the store without making a purchase.

- A) Island and aisle displays - free standing, low platforms which can be walked around are called island displays. Frequently they portray a particular theme or topic. Areas that are at an end of an aisle or in a corner are called aisle displays. They are usually similar in format to island displays.
- B) Perimeter displays - this is the use of wall, ceilings and shelves to display merchandise. Special display fixtures can be mounted to display the items. This display format is good for small stores as it does not waste valuable floor space.
- C) Counter and showcase displays - glass topped counters, showcases and wall cases serve as both display units and stock keeping inventory storage.

3. Complementary Display Aids

They are design aids that are used to enhance your window or interior displays.

- A) Reprints and Posters - copies of nationally advertised items that your store carries or copies of the stores ad can be placed in windows, on doors or near the cash register to make customers aware of your product.
- B) Impulse items - can be placed in baskets near the cash register to promote impulse buying.
- C) Counter cards - cardboard stands displayed on counters to attract attention to particular items.
- D) Specialized display racks - a rack designed in a unique way to hold a selection of particular items.
- E) Fixtures - no longer do they have to be for utilitarian purposes only; now the use of them can be combined to be an attention grabber and a source of display. While new fixtures are always available, often used furnishings and display features are available at significantly less initial cost. Consideration should also be given to custom vs. ready-made fixtures as well as the time factor in delivery. As long as there is no detrimental effect on the overall image, used fixtures are suitable.

In order to be successful interior or window displays should meet 1 or more of the following objectives:

- 1. Present a select range of merchandise to convey an image.
- 2. Educate the customer about the new items available at your store.
- 3. Encourage customers to make impulse and multiple purchases.
- 4. Intensify the demand from customers for items that are in the introductory or early adoption stage of the life cycle.
- 5. Create a positive lasting image of the store.

In designing the layout of your store, be sure that all the elements are carefully coordinated with the merchandise you are selling, but don't be afraid to use your imagination. It is the unusual that people remember, the ordinary is usually quickly passed over and forgotten. The interior of your store should convey the atmosphere you wish to project. It should also help accent the merchandise and portray the image of a well stocked store with an interior layout designed to encourage mobility throughout the premises. Such interior display and layout techniques can not help but increase sales.

ADVERTISING AND PROMOTION

Advertising must be used in the initial stages of your store's operation to inform the public of your existence, and to persuade them to come to your store. Consequently, up to 6% of your budget (that is, 6% of total projected sales) may well be spent on advertising. In later stages, the purpose of advertising will be to remind customers about your store and to advertise special sales being held. The advertising budget should then drop to approximately 3%.

The success of a store's advertising campaign is largely dependent upon the planning that takes place beforehand. First you must decide which approach you want your ad to focus upon.

- A) Product advertisements - the promotion of specific merchandise. Much thought must be given to the selection of merchandise for an advertisement. Marketing the product benefits, factual data, popularity, pricing strategy, depth of stock, timeliness, and availability of merchandise must all be considered.
- B) Institutional advertisements - The focus of the advertisement stresses services or store image. When utilizing this approach, you must determine what is your store image and which of the qualities composing this image you wish to stress. Merchandise quality, pricing policies, services, employee attitude, and store appearance are all factors that contribute to the store's total image.

The key to maximizing the benefits derived from advertising is to gear it toward your store's target market. There are a number of media which can be used to reach your prospective market. Among the less expensive means are direct mail, newspapers, and radio. The advantage of direct mail is that it is relatively low cost, and it can be used to reach a specific market area. Direct mail also allows you to develop a high degree of personalization in your messages. As your business grows, you can develop your mailing list. Most printers in rural, as well as urban, centres will print the material to be sent and costs will be contingent upon the size of the letter and the number of illustrations and photographs included. A newsletter or handout for customers for new bookstore locations providing brief background of new owners could be an excellent way of promoting good customer relations and sales.

Newspapers are another method of reaching your target market. Types of newspapers can range from those with provincial exposure (such as the Winnipeg Free Press) to those with emphasis on local events (such as The Leader in Portage la Prairie). While newspaper advertising is more expensive, it is an excellent means of promoting special events in an attempt to draw more customers. The greatest disadvantage of newspapers is their short life span, which increases the risk that readers may miss your ad. However, with most papers providing support in copy development and layout, your advertising dollar can still be very well spent.

The radio can be used to make direct contact with specific segments of your market. Each month, radio ratings are published along with audience characteristics and you may be able to target a message for your specific target market. The cost, however, may preclude the use of radio as an advertising medium.

There are a number of other promotional methods available to reach the customer. For example, authors sometimes visit bookstores and autograph their works. The Yellow Pages in the telephone directory are a virtual "must".

To be sure that your advertising dollar is well spent, there are a number of points which you should consider. First, you must determine how much you have budgeted for advertising, and how many ads you can run by the means you have chosen. For example, if you have budgeted \$1200 for advertising and direct mail costs \$100 per mailing, a newspaper ad costs \$125 for a quarter page, and a radio ad is \$150 for a minute, you must decide which is the most effective way to reach your market given the limited number of dollars.

As stated earlier, when the store opens, you will probably need to spend more on advertising than you will later on. Therefore, determine how much you want to spend and fix some schedule for those disbursements. In deciding when the ad should be run, remember that correct timing (as well as proper merchandising and competitive pricing) is equally important to success.

Expenditures on advertising should be highest just prior to the busy season, and lower in the slow months. The average book dealer's year evolves slowly

but picks up substantially once school reopens and the advance of the Christmas peak. Generally, patterns are broken only by the advent of a record-breaking best seller. Most bookstores generate approximately 25% - 30% of their annual volume during the Christmas season. August and September can also be fairly busy, as the start up of schools generates substantial sales. Promotions geared towards those occasions and others throughout the year should be developed. Such special occasions include Easter, Valentine's Day, back-to-school, Halloween, Mother's day, Father's day and graduations.

When ordering reasonable quantity of title books some publishers offer cooperative advertising dependent on their policy. This can amount to substantial savings on advertising dollars.

PERSONNEL

A knowledgeable and personable sales staff are key elements in the selling process. Personalized service is the most commonly cited reason for continued patronage. Contact with the sales staff is often the only contact a customer has with a store. Personalized service can be the small, independent dealers marketing advantage over the larger chains and other stores which sell books (e.g. Safeway). Since the personnel involved in your store can determine its success or failure, it is important to develop hiring policies, carefully screen prospective employees, and train those who are hired. You may find it worthwhile to hire only on a referral basis.

Employees should have at least a basic knowledge of customer psychology and selling techniques. Staff should be friendly, courteous, and qualified. It is important that employees project a proper image for the store, so they should be dressed tastefully, in accordance with the store's theme.

There are a number of different ways that you might choose to compensate your staff. You might pay on a strict salary or hourly basis, which certainly for a bookstore may be the most logical route to follow. It is possible to pay either straight commission or some combination of salary and commission, though in a bookstore the identification of the employee responsible for the sale may be difficult. Paying commission is more suitable in an environment where a higher degree of personal selling is required, such as an automobile dealership, a major appliance store, or a clothing store.

It must be emphasized that in most instances the sales staff represent the store to the customer. Sales staff hear complaints, and compliments, which should be communicated to you, the owner, so that modifications can be made. A competent and courteous sales staff can be your most valuable asset. The lack of same can be an obstacle between you and the successful operation of your store.

PURCHASING INVENTORY

With over a quarter million titles in print, purchasing and inventory management provide a challenge to even the most experienced operator. Fortunately, inventory assistance can be received by becoming a member of the Canadian Bookseller's Association (CBA). Its members are provided with a copy of the Bookseller's Manual which lists the various Canadian publishers, discounts offered by publishers and wholesalers, foreign publishers represented in Canada, and a listing of basic stock items to assist entrepreneurs in the selection of inventory.

Major sources of supply for booksellers are publishers and wholesalers. Publishers grant higher discounts on larger orders. Wholesalers generally provide quicker service and offer lower prices on small volume purchases. In a start-up situation, CBA suggests that initial inventory orders be placed with publishers to take advantage of savings through larger discounts. But unless the entrepreneur is experienced, it may be advisable to initially purchase in small quantity lots. In this way needed capital is not tied up in slow moving stock.

Return policies vary from supplier to supplier, but generally the return period is 3 months minimum and 12 months maximum. Normally, the operator is granted a full credit towards future purchases. The amount of the credit will depend on the return policy of the publisher. Some publishers charge a penalty on returns.

You will be required to pay up-front for inventory in practically all cases. Some publishers will require 50% pre-payment, but most will ask for 100% up-front. After initial purchases a credit application can be made. You must be cautious when purchasing inventory although in most cases

merchandise can be exchanged for new inventory. You may buy non-returnable merchandise from some publishers, the advantage would be higher discount but there is a risk in purchasing the right merchandise.

Payment terms within the industry vary somewhat but net 30 days is the norm. Some suppliers offer cash discounts for prompt payment, and if possible, you should take advantage of such discounts. Publishers normally pay the freight charges for paperbacks but sometimes depending on publisher you may have to pay the freight for hardcover publications (3%-5% of invoice cost).

The initial inventory requirements will depend on the precise type of store, the finances, the space available, and your own personal plans. These factors all should be considered in conjunction with the expected inventory turnover rate. Inventory turnover rate is defined as the number of times a store's inventory is sold and replaced within a given time period (usually one year). The slower the turnover rate, the more inventory will be required. A store whose inventory is expected to turn over only twice a year will require more inventory than one with a turnover rate of six. Many factors can influence the turnover rate. A low turnover rate often indicates excess money tied up in slow moving merchandise. Too high a turnover rate, however, can result in stock shortages (and related lost sales), and a workable balance must be kept between these extremes. Industry figures indicate that hardcover books turn over about 3 times a year, while paperbacks turn over 4 to 5 times a year.

Remember, through the life of your business, the key to success will be maintaining a proper inventory selection. You must meet the needs of your target market, not merely satisfy your own tastes. Industry guidelines suggest that an appropriate mix for a general book stock is 20% hardcover, 40% paperback and 40% trade paperbacks and "remainders". When best sellers or hardcover books have reached market saturation the second editions will come out as a paperback cover offering a lower price and these can be sold as remainders. Items such as cards, magazines, stationery etc., should also be carried as they generate traffic. Unsold copies of remainders cannot be returned to the publisher.

Several bookstores have been established in Canada to sell only remainders; the largest is Toronto's Book Barn.* Cards-stationery-giftware offer bigger margins - 50% plus items that can be complimentary to a bookstore would help boost margins. Be flexible in what the market dictates.

By way of example, for a bookstore which generates \$100,000 in sales volume per year, with 60% or \$60,000 comprising paperbacks and hardcover sales equally distributed, inventory requirements can be determined as follows:

$$\frac{\text{Gross Sales}}{\text{Turnover Rate}} = \frac{\text{Inventory Requirement (Retail \$)}}{\text{Inventory}}$$

$$\text{Paperback: Inventory Requirements (Turnover 4x)} = \frac{30,000}{4} (30\%) = \$ 7,500$$

OR

$$(\text{More optimistically, turnover 5 x}) = \frac{30,000}{5} (30\%) = \$ 6,000$$

$$\text{Hardcover: Inventory Requirements (Turnover 3x)} = \frac{30,000}{3} (30\%) = \$10,000$$

$$\begin{aligned} \text{Inventory at Cost} &= \text{Inventory (Retail \$)} \times \text{Cost of Goods Sold (Assume 65\%)} \\ &= \$17,500 \times .65 = \$11,375 \end{aligned}$$

Therefore, we can assume that for our example the initial inventory of books at cost should approximate \$11,400 for a bookstore generating approximately \$100,000 in gross retail sales, plus the inventory cost for the 40% sales in trade paperbacks and miscellaneous items.

INVENTORY CONTROL

An inventory control system is a paramount part of bookselling. Deciding on the right stock and maintaining a flow of merchandise in and out of the store is crucial. It should provide you with the following information:

*Source: Radio Bureau of Canada, 43 Eglinton Ave. E., 10th Floor, Toronto, Ontario M4P 1A2, (416) 482-222.

- (i) the current dollar amount in inventory
- (ii) the quantity of merchandise sold each day
- (iii) which items are selling well and should be re-ordered
- (iv) which items are not selling and should be marked down.

Inventory control systems should be tailored to a specific store's requirements, at least to some degree. A properly designed and maintained inventory control system should ensure that the publications in stock are of the appropriate type and amount. Inventory controls should help minimize out-of-stock items and keep investment in slow moving goods at a minimum.

Inventory can be broken down into three classifications:

- a) Basic Stock - i.e. Oxford Dictionary, Crossword Puzzles, Bible, Cookbooks
- b) New Releases - (Hardcover)
- c) Paperback releases of (b) stock.

These can also be colour coded and marked.

Booksellers have developed a number of inventory control systems which help to accomplish effective and efficient control. They include:

1. Card Files: each publication on hand is assigned a card, on which is printed the author, title, publisher, price, order date, number of copies ordered, reorder point, and so on. These cards are reviewed at regular intervals to determine which publications to reorder and which to return.
2. Continued Stock Check: an actual physical count of inventory is taken according to some schedule, such as:

Week I (on Monday)	Atwood to Dickens	OR	Anchor-Doubleday
Week II (on Tuesday)	Eliot to James	OR	Houghton-Mifflin
Week III (on Wednesday)	Kafka to Oates	OR	McGraw-Hill
Week IV (on Thursday)	Proust to Shaw	OR	Random House
Week V (on Friday)	Tennyson to Zola	OR	Simon and Schuster
3. Physical Count: An actual physical count of all inventory should be taken annually, or perhaps monthly, to obtain a precise evaluation of stock on hand.
4. Colored Dot Method: color coded labels (red for January, blue for February, etc.) are affixed to the books as they are received. A visual check made periodically will quickly reveal how long the book has been on the shelf. Once they have been

there for a certain length of time, they can be removed and returned.

5. Computerized System: Point of systems sale - you can design you own or purchase an Inventory Control System.

The above methods have proven effective in improving inventory control, thus making the bookstore a more profitable operation. Although you may consider these techniques to be quite time consuming at the outset, they will quickly generate benefits in the form of lower costs which should outweigh the time and effort expended.

SECURITY

Poor security can result in a great many problems, including theft (both internal and external), uncollectable credit card sales, excessive bad cheque losses, etc. The following are suggestions to help you keep these problems to a minimum:

1. Design your store so the layout is amenable to security measures. For example, install mirrors to increase the vision of sales clerks, and encourage clerks to be aware of customer movements in the store.
2. Train employees to spot shoplifters, and give them specific procedures to follow when such an incident occurs.
3. Prosecute all shoplifters apprehended.
4. When taking credit cards, check the list of stolen cards, check customer signature, and get telephone authorization if necessary.
5. When taking cheques, carefully examine all identification.
6. Check all employee work history when hiring to help keep internal theft at a minimum.
7. Work with your local police department and consult them whenever it is necessary.

FINANCIAL PLANNING

When small businesses fail, they often do so because their owners did not foresee that they would encounter difficult financial circumstances. Proper financial planning can make you aware of possible critical problems before

they arise, so that you can take the appropriate action to avoid them. Small businesses often suffer from inadequate financing, and though financial planning may not alleviate that problem, it should enable the entrepreneur to realize the need for additional financing before a crisis arises.

A detailed outline of financial planning is contained in companion volumes in this series: "Small Business Finance Plan", "Retail Business Plan", and "Bookkeeping". The purpose of this section is to underscore the importance of sound financial planning, by summarizing the basics of the process.

The steps of financial planning include:

1. determine the cost of premises, equipment and fixtures;
2. estimate all operating, direct (cost of materials, wages, etc.) and indirect (interest, rent, etc.) expenses;
3. estimate working capital or cash flow requirements, and the sales volume needed to meet those requirements;
4. prepare projected statements: cash flow, profit and loss, and balance sheet.

FINANCIAL RECORDS

Decisions made are only as good as the information upon which they are based. Proper records should be kept so that information about the financial status of the business is available. The information can tell you if any problems are being or are likely to be encountered. Problems such as a sales volume lower than forecast, delinquent accounts receivable, inventories not moving, or profit margins which are too low, may be brought to your attention. The constant monitoring of the business' financial situation can be achieved only if thorough records are kept. You, as a business person, have to know if things are proceeding according to plan. If they are not, you can take remedial action before it is too late.

It is not difficult to maintain a simple record keeping system sufficient for the needs of most small businesses. The exact requirements vary, depending on the volume of business, the number of customers and suppliers,

the number of employees, whether or not credit is allowed to customers, and so on. Some of the records you may need include:

1. cash receipts journal used to record all payments made to the business;
2. cash disbursements journal used to record all payments made by the business;
3. accounts receivable ledger used to keep a record of all amounts owed by customers;
4. general ledger, used to keep a record of all accounts on the balance sheet.

As well, you may need a sales journal (recording all sales made on credit), a purchases journal (recording inventory purchases made on credit), an accounts payable ledger (a summary of amounts owed to suppliers, etc.), and a payroll journal (to record wages paid). You should, of course, make all payments by cheque, not by cash, and maintain an accurate cheque book.

Remember that the system you use has to provide information that is useful to you in making decisions about the business. Having an accountant prepare annual statements (which you may have difficulty interpreting in a useful manner) is not enough. You have to understand the records system and the information that it provides for it to be a part of your financial planning process.

The information contained in your records can be thoroughly analyzed to provide more clues about what exactly is happening to your business. You can, for example, compare your financial status to that of other similar businesses. Various publications contain statistics on key financial ratios for a wide range of retail businesses. These ratios include, for example, current assets to current liabilities, gross profit to sales, net profit to sales, and so on. A profit and loss statement for the average bookstore, expressed in ratio form, is shown in Table 1. Comparing your statement to the sample could point out possible problems. If, for example, your gross profit is only 20% (vs 38-40%), it may mean that your prices are too low. It should be remembered, of course, that the ratios in Table 1 are for the average bookstore and there is some variation depending on the size of the store and the precise mix of products offered.

You are required by law to provide statements to the taxation authorities, but a more important purpose of keeping financial records is to enable you to monitor the progress of your business.

PRICING

Your pricing strategy has three basic goals:

1. To cover the original cost of the merchandise
2. to cover operating expenses
3. To provide a profit to the store

A retailer usually follows one of three possible routes:

1. Pricing above the competition
2. Pricing below the competition, or
3. Meeting competitive prices

In the bookselling business, very little flexibility on pricing is available. Publishers normally print suggested retail prices on the covers and inside flaps of paperbacks and hardcovers.

$$\text{Selling price} = \text{cost} + \text{mark-up}$$

As stated earlier, on the average, cost of goods in the bookselling business is 60%. Therefore average mark-up would be 40%.

Remember, this mark-up must cover all other expenses such as overhead interest, wages as well as profit.

When non-returnable goods have been in stock for a considerable time, a retailer will usually reduce the price of these items in order to sell them. The longer the merchandise has been on the shelf, the less likely it is to sell at the original or initial selling price.

It may be necessary to reduce prices in order to clear some merchandise from the shelves. Such markdowns may be an indication of changes in market conditions or customer buying habits.

Mark-downs can also be used as a promotional tool, as sale items can stimulate customer traffic.

A common practice in the book trade is for publishers to offer some editions, usually in hardcovers, at special pre-publication prices for a limited time. When possible, you should take advantage of these reductions.

DISCOUNTING

Keep in mind that W. H. Smith and Coles are the two chain book stores that discount about 25% of their bestsellers. This can affect your book sales as an independent. You have to take measures to be competitive in this marketing area.

The Canadian Book Association offer some consolidated buying prices - consult with other independents in your area on group purchases to get maximum discounts.

SUMMARY

Planning will not ensure the success of your enterprise, but it certainly will improve your chances. Remember too, that if your analysis predicts that the business will not be profitable, then do not ignore that analysis and plunge ahead. Do not take starting the business as a foregone conclusion. Financial planning is one part of your business plan, the elements of which bear repeating. The time you take before starting your business and then while it is underway to plan and to monitor those plans could be your most important investment. Failure to do so would be to start off down the highway without a road map, not knowing how to get where you want to go.

1. State your goals and objectives;
2. Determine the potential market for your products;
3. Evaluate the location (new or existing);
4. Decide on the store interior and exterior layout;
5. List sources of supply, terms, and an inventory of requirements;
6. Provide for handling incoming merchandise (receiving, checking, marking, and the movement of goods);

7. Decide upon a general pricing policy and pricing strategy to be used to stimulate profitable sales volume;
8. Outline your promotional policies and strategies;
9. Develop management policies and practices for handling store personnel;
10. Conduct a complete financial analysis of the business;
 - Determine capital cost expenditure,
 - Determine operating costs,
 - Develop financial information for sourcing of funds and control;
11. Establish an expense control system (accounting procedures).

COMPARING MARKUPS

Pricewatch is a regular monthly feature of The Canadian Bookseller. It is designed to monitor fluctuations in the prices of imported bestselling books. The Pricewatch index uses the New York Times Best Seller list, the list best known to Canadian bookstore customers and the one most influential in their awareness of the list price differential of imported books.

It is important to note that many factors influence the Canadian selling price of an imported book beyond currency differences: whether the book is imported by an agent or a wholly owned subsidiary; the size of the international print run; or whether the Canadian publisher bought separate rights altogether.

This month, one title on the fiction list has not been factored into the averages because it has just been released in the U.S. in cloth but has been available in Canada in paperback for several years.

NEW YORK TIMES BEST SELLERS LIST: FEB. 5, 1989

AVERAGE MARK-UP THIS MONTH:	34.31%
HIGHEST	48.10%
LOWEST	5.28%
AVERAGE LAST MONTH (JAN. 8, 1989)	33.89%

FICTION TITLE:	U.S. PUB	CDN. PUB	U.S. LIST	CDN. LIST	% MARK-UP
A SEASON IN HELL	SIMON & SCHU	N/A IN HC			
SPY HOOK	RAN	LIT	18.95	19.95	5.28%
A TWIST IN THE TALE	SIMON & SCHU	GNP	17.95	21.95	22.28%
ONE	MORROW	OGG	17.95	22.95	27.86%
LYRE OF ORPHEUS	PENGUIN	OGG	19.95	25.95	30.08%
BREATHING LESSONS	RANDOM	PBC	18.95	24.95	31.66%
RIVALS	LITTLE BROWN		18.95	24.95	31.66%
SANDS OF TIME	MORROW	OGG	19.95	26.95	35.09%
FINAL FLIGHT	DOUBLEDAY	DCU	18.95	25.95	36.94%
QUEEN OF THE DAMNED	RANDOM	RAN	18.95	25.95	36.94%
MUTATION	PUTNAM	BEJ	18.95	26.50	39.84%
MIDNIGHT	PUTNAM	BEJ	19.95	27.95	40.10%
CARDINAL OF THE KREMLIN	PUTNAM	BEJ	19.95	27.95	40.10%
LOVE IN THE TIME OF CHOLERA	KNOPF	RAN	18.95	26.95	42.22%
ANYTHING FOR BILLY	SIMON & SCHU	GNP	18.95	26.95	42.22%
AVERAGE FICTION LIST PRICE			19.10	25.84	33.02%

NON-FICTION TITLE:	U.S. PUB	CDN. PUB	U.S. LIST	CDN. LIST	% MARK-UP
CHRONICLE OF THE 20TH CENTURY	PRENTICE HALL	RAI	49.95	59.95	20.02%
LAST LION	LITTLE BROWN	LIT	24.95	29.95	20.04%
TALKING STRAIGHT	BANTAM	BAN	21.95	27.95	27.33%
A BRIEF HISTORY OF TIME	BANTAM	BAN	18.95	24.95	31.66%
BLIND FAITH	PUTNAM	BEJ	21.95	29.95	36.45%
GOLDWATER	DOUBLEDAY	DCU	21.95	29.95	36.45%
FIRST SALUTE	RANDOM	RAN	22.95	31.50	37.25%
ALL I REALLY NEED TO KNOW I LEARNED	RANDOM	RAN	15.95	21.95	37.62%
DON'T BEND OVER IN THE GARDEN GRANN	RANDOM	RAN	15.95	21.95	37.62%
CHILD STAR	MCGRAW HILL	MHR	19.95	27.50	37.84%
A BRIGHT SHINING LIE	RANDOM	RAN	24.95	34.50	38.28%
WHAT DO YOU CARE WHAT OTHER PEOPLE	NORTON	PBC	17.95	24.95	39.00%
GRACE: A LOVE LETTER	PUTNAM	BEJ	18.95	23.95	41.30%
LEGENDS, LIES AND CHERISHED MYTHS	MORROW	OGG	15.95	22.95	43.89%
PARTING THE WATERS	SIMON & SCHU	GNP	24.95	36.95	48.10%
AVERAGE NON-FICTION LIST PRICE			22.35	29.93	35.52%

March, 1989

Source: Canadian Booksellers Association

DIALOGUE ON WHOLESALING: IS CANADA READY FOR A TRADE WHOLESALER?

U.S. STYLE WHOLESALING OFFERS EFFICIENT ALTERNATIVE

by Peter Waldock, Cannonbooks

You don't have to be a rocket scientist to figure out booksellers current distribution problems! The last couple of years has seen two major trends on the publishing side of the business -- an increasing number of U.S. houses opting for direct distribution into Canada (eg: Crown and Doubleday) and the concentration of an increasing number of lists in the hands of a few publishers/agents/distributors (eg: U of T, Hollinger, Random House, Penguin). And we certainly haven't seen the end of the latter trend!

Why have U.S. houses had problems dealing direct with Canadian stores? Primarily because in the States they aren't used to filling small orders or filling reorders quickly or handling library orders or those from gift shops, religious bookstores or other specialty stores. In their domestic market a network of wholesalers do most of that for them. The difficulties they face in supplying the Canadian market are mirrored by the problems of publisher agents based here who traditionally have been trying to be all things to all people. As they increase in size, their problems become magnified.

But slow order turn-around is not the only distribution problem that plagues the bookselling industry. What are the three dirtiest words spoken by every publisher more frequently than ever before? Out of Stock. This problem, too, can partly be explained by size -- how can a publisher be expected to effectively monitor stock levels of 30,000 titles? Yes, they do have computers, but who is reading the print-outs? If it's an underpaid clerk or a sales manager who is out of town half of the time, the results are predictable.

Source: Canadian Booksellers Association, March 1989

But don't blame the problem entirely on the publishers. It's actually the booksellers who are really responsible. Faster stock turns improve your cash flow and increase flexibility? The prevailing wisdom on the publishing side after all was one of tighter inventory control -- print or import close to advances, maintain limited back-up stock and be ready to reprint or reorder. Printers cannot deliver reprints as fast as needed and U.K. and U.S. publishers cannot be relied on to ship reorders to their Canadian agents quickly either. The result is increasing chaos.

Why hasn't the U.S. industry been beset with the same problems? In a word -- wholesalers. Not only do they provide fast reorder service to maximize inventory turns and minimize lost sales for booksellers, they also provide a vital buffer for publishers and booksellers alike in reducing out of stock problems. Basically, publishers in the U.S. supply initial orders for new books direct to bookstores who in turn use wholesalers to reorder. In other words, wholesalers carry back-up stock for the marketplace. The publishers, instead of making futile attempts to monitor sales of their new books at the retail level coast-to-coast, can simply make half a dozen calls to the major wholesalers (plus a couple of the major chains) and they can get a very good idea of what's happening with their books. If they are out of stock and decide to go back to press, then they know that the wholesalers will keep the market supplied while they wait for a reprint. Furthermore, when the reprint comes in, instead of having time-consuming piles of small backorders to fill, they generally are shipping large quantities quickly and efficiently to wholesalers across the country who in turn restock the marketplace.

Over time, wholesalers in the U.S. have expanded their activities to include the stocking of a vast range of backlist books and some, of course, provide complete one-stop shopping services for audio, video, software, etc. The American book business is certainly not without its distribution problems but they pale in comparison with ours. Then why haven't we seen the emergence of wholesalers in this market to meet the needs of the industry? In a word -- margins. A wholesaler operates on gross margins that are half those that a retailer or publisher/agent earns. Volume is the key to a wholesaler's viability and in a market this size that volume is limited. The potential is further reduced by the fact that the chains, who

control perhaps half the book retail sales, are still small enough to be able to effectively organize their own warehouses to back up their stores. A trade wholesaler, therefore, can act as a warehouse only for independent booksellers.

Given the distribution problems the industry has been facing and will continue to face, it seems the Canadian market now has the potential volume to provide a viable wholesaler for independent booksellers.

MAGAZINE WHOLESALING: A BOOKSELLER'S GUIDE

By Ron Sellwood

I am still amazed by the number of new publishers who phone me with their 5,000 copies and no idea how they are going to get them to the newsstands. Luckily for most of them, there are a number of good distributors in Canada...

How do I get my magazine to newsstands across the country?

First of all, any publisher can set up direct accounts with newsstands and bookstores, but let's assume you aren't interested in this option. You aren't, trust me.

There are five major national distributors dealing in Canadian titles. They are: Coast to Coast (777 Bay St., 8th Fl., Toronto, Ont. M5W 1A7, 596-5505); Disticor (101 Duncan Mill Rd., L-4, Don Mills, Ont. M3B 1Z3, 449-6430); Gordon & Gotch (144 Front St. W., #500, Toronto, Ont., M5J 2L7, 586-0500); Mastermedia (1090 Speers Rd., #1 & 2, Oakville, Ont. L6L 2X4, 842-1555); Telemedia (50 Holly St., Toronto, Ont., M4S 3B3, 482-8600).

How do each of these companies operate?

The national distributors direct magazines to a network of 33 regional wholesalers with designated territories situated across Canada. None of the distributors, with the exception of Gordon & Gotch, send magazines directly to the newsstands. (Gordon & Gotch have their own network to deal directly with the newsstands.)

As a rule, therefore, distributors do not actually distribute magazines. They operate more like a finely-tuned bookkeeping operation which tracks individual sales through various wholesalers. If a distributor decides to take your magazine, you work out with them the areas of the country in which you would like your magazine distributed and the terms of your agreement.

The standard discount to the distributor is 50 percent off the cover price. In addition the national distributor will bill the publisher for other miscellaneous costs. These costs are: shipping (this includes the costs of shipping to all the wholesalers); break-up and handling (your magazine will be sent to the wholesalers in consolidated shipments with other magazines); retail display allowance (some chains demand a higher discount and the distributor usually bills the publisher for the difference).

Most distributors do not have offices in major urban centres other than Toronto. All of them have reps who travel the country visiting local wholesalers. Their job is to monitor sales in the individual retail outlets and to work out new draws for new magazines taken on by the national distributor.

Who are the wholesalers?

There are 33 wholesalers located across Canada. They have a monopoly in their territory, so retail outlets do not have a choice when purchasing mass-market titles. For example, Tim and Maclean's are available only from Metro News in Toronto, H.H. Marshall in Halifax, Benhamin News in Montreal, etc. This applies to almost all mass-market titles sold in this country.

Wholesalers get their products from the five national distributors listed above. They also get them from a number of American-based distributors, most of whom do not have Canadian offices. Wholesalers deal primarily in magazines, paperback books and novelties, although some have recently begun to branch into videos and other related products.

The national distributors pass a 40 percent discount on to the wholesalers who in turn offer a 20 percent discount to the retailers.

The wholesalers have an association known as the Periodical Marketers of Canada. The co-ordinator is Ed McKim. PMC can be reached at: 202 Hallett Avenue, Whitby, Ont., L1N 5K8. Phone (416)668-4868.

Who else distributes magazines?

There are a number of smaller distributors operating across Canada. The major ones are:

CPPA Distribution. CPPA Distribution began in 1976. Its aim was to provide members of the Canadian Periodical Publishers Association with easy access to the major newsstands and bookstores across Canada. CPPA Distribution acts as a combination wholesaler/distributor. The CPPA takes magazines directly from publishers (approximately 175) and ships them directly to the newsstands, bookstores and specialty accounts (approximately 385 retail outlets). The warehouse is located in Toronto, and CPPA own delivery person handles Toronto CPPA use CanPar for the rest of Canada... Shipping and packing takes place three times a month.

Other distributors include:

Lichtman's, 24 Ryerson Avenue, Toronto, Ont., M5T 2P3 (416)365-1750. Contact Ken Keith or Gerry Ruby. Lichtman's has a chain of seven large bookstores in the Toronto area but they also distribute to other select retail outlets.

Speedimpex, 155 Deerhid Crescent, Unit5, Weston, Ont., M9M 2Z2 (416)741-7555. Contact Eugeno Ursino. Speedimpex is the national distributor of Italian-language magazines.

E.M. Press & Books, 4001A Robert Blvd., Montreal, P.Q., H1Z 4H6 (514)374-9811. Contact Jacques Amyot or Christian Dufour. They distribute many French, foreign-language and art magazines across Canada and are fairly well-known.

Emma Marion Ltd., 2330 East Hastings, Vancouver, B.C., V5L 1Y6 (604)253-8111. Contact Sandro Girardi. Most Italian magazines in the area are distributed by Emma Marion but they do distribute English-language magazines as well. A small distributor who is very well respected.

Diffusion Parallele, 815 Ontario East, Montreal, P.Q., H2L 1P1 (514)525-2513. Contact Jean Lemoyne. They are similar to CPPA but distribute French-language magazines in Quebec only.

FACING OBSTACLES TO GROWTH: CTA's 1989 BUSINESS PLAN

Toll-free order lines, fax, electronic ordering through U.S. wholesalers and publishers' lack of Televend integration, are some of the challenges faced by the Canadian Telebook Agency in its 1989-90 Business Plan. The Plan was presented to the publishers' associations in January and February and will be presented to the CBA Board at its March meeting.

To deal with this, the CTA will institute a new vendor billing system, lobby publishers to upgrade their support of Telebook, encourage booksellers to use ISBNs and work to improve the database.

The business plan shows that the number of titles on the CTA microfiche database increased from 285,000 (December 1987) to 323,000 (December 1988). Subscribers to the fiche included 417 retailers and 90 institutions.

While the number of users on the electronic network increased by 45 percent (to 112 trade bookstores, 51 college stores, seven Christian bookstores and two wholesalers), the number of orders and messages increased by only 34 percent.

The CTA attributes this to four factors.

- 1) Increased use of expensive tele-marketing and toll-free order lines has diverted many of the time-sensitive reorders from the Telebook network. As a result, for many booksellers, Telebook ordering become cost efficient only when it's integrated into an automated system which incorporates electronic ordering.
- 2) Many booksellers are aware that to date only one publisher passes Telebook orders into application software electronically and that all the other re-key the orders, a costly process which also slows turnaround time.
- 3) Many booksellers have become aware of electronic ordering systems at U.S. wholesalers such as Baker & Taylor and Ingram, and are able to compare service levels -- these wholesalers given instant stock status and order confirmation.

4) Several publishers -- often as the suggestion of booksellers - have begun promoting the use of Fax for book orders. It would appear that many publishers given instant responses via Fax while Telebook messaging is often delayed.

Faced with these problems, the CTA will be actively lobbying publishers to improve their Telebook support by: developing direct links to order entry software; providing order confirmations and stock availability information; efficiently addressing electronic customer service messages and providing expedited service for Telebook orders.

It is hoped that this will increase order volumes, and decrease the cost per purchase order of handling Telebook -- making it more beneficial to the publisher and improving service to the bookseller.

However, those publishers who have integrated or are about to integrate Telebook orders directly into order entry software have expressed concern about the number of orders which arrive with inaccurate or incomplete information. CTA will be mounting a campaign for greater accuracy and use of complete ISBNs, warning booksellers that incomplete information means shipping delays.

The business plan takes care to point out that, while Fax machines are inexpensive to purchase and operate, they are a stop-gap solution to the order process. As the industry works toward fully electronic, integrated ordering, Fax orders only speed up the step of getting the order to the publisher.

The database

The database continues to be a vital part of bookselling, especially in times of agency changes and mergers. However, the business plan lists two serious obstacles: lack of participation by key publishers and poor database editing and maintenance by publishers.

The first problem still exists, but to a much smaller degree, than in the past. The second problem is chronic and widespread -- as many booksellers will know. The Business plan notes that "CTA has spent countless staff hours, proofreading publisher data and requesting changes." However, because of the development of the CD-ROM (detailed in the February issues of TCB), the CTA has been able to take a different approach.

Because CTA has been working with the National Library to develop a complete CD-ROM database, the publisher data has been matched to MARC bibliographic records, via ISBN. It is expected that the process will improve up to 60 percent of the listings.

Once the CTA records are matched from the National Library's MARC file, the titles will be improved by the addition of proper spelling and subject coding. The current information on price, agent and discount code will be retained from the CTA files.

Titles which can't be matched will still be included in the new list but will retain any spelling mistakes and internal codes which the publisher has put in the title or author fields.

This improved file will be used for the monthly microfiche. Those using the database on CD-ROM will also find it easier to search for titles, even if they are misspelled.

New vendor billing system

After working out models from the transmission records of seven months in 1988, the CTA is instituting a new vendor billing system. It is designed to be fairer to large and small publishers and encourage use of the network.

Publishers will be charged only for messages received. When they send messages to their customers, they will pay only communication charges. All vendors will receive their first 250 orders free (which will ensure a cost discount to smaller publishers while being fair to all). The flat rate per message is \$2.

MARKETING AUDIO

Plans are afoot for the creation of a Books on Tape catalogue. It will be divided into different categories such as business, relaxation or self-help. "And taking the best from each category." The catalogue will be handed out in the store as well as mailed to libraries and schools.

Spoken word cassettes are still very popular for travellers. To sell audio cassettes, you have to have good display. There are advantages of having them with the books on the same topics. But the problem has been in standardization of packaging.

The situation is improving, however. The companies doing well are those that have packages that look like a book.

Some small companies sell their own materials, others have local distributors; others use national wholesalers and it can be confusing tracking down who has rights to what at what price. But the prices are good. The production costs are less than for music -- all you need is a good reader. A lot of business tapes are taken straight from seminars.

And the audio cassettes tapes generally come at 40 percent and they're returnable -- like the book business.

Music cassettes are another matter, according to Oleksiuk. "Distribution in this country is a bit of a mess. You can get the product quickly, but there's no backlist."

The margins are not as good as on books. Compact discs are usually 30 percent off, cassettes 35 percent. Some are returnable some are not.

Mary Scorer started stocking a sizable quantity of music in 1984 and a word of caution getting into this business seriously means a lot of work. "What a lot of little stores do is go to Moss Music for an inexpensive selection." Even a serious store may find itself dealing with wholesalers only. "The big companies are often reluctant to deal with small accounts. We built our business up slowly, then went knocking on the doors (of the bigger companies) to show them our results."

Booksellers do especially well with them in the summer because they sell to travellers. However, there is the variation in prices. "There's quite a split. Listen for Pleasure sells at \$14.95. Random House is \$18-\$19.95." Volume II uses four or five distributors and several wholesalers to get stock. "Some of the distributors have reasonable minimums; some are quite high. Others don't have such wide stock and can't possibly make the minimums, so use wholesalers." After the first few months of dealing with suppliers you may not have to pay freight, and shipments come fast!

BOOK TOKENS CANADA TAKES FLIGHT

After a year of planning and preparation, Book Tokens gift certificates were officially launched amid champagne and orange juice on January 31. Booksellers, publishers, writers, government dignitaries and the press convened to celebrate the new venture and recognize founding supporters.

Since that time, use of Book Tokens gift certificates has been building steadily among the more than 250 booksellers in the cross-country network.

The average Book Tokens sale so far has been \$18, a figure that is likely to be artificially low as a number of bookstores have been testing the program with small denominations. The average redemption has been \$12.

One of the questions being asked of the Book Tokens office is "What is my ID number?" The retailer's SAN (Standard Address Number) is the ID. The SAN is also the ID number for Telebook electronic network use.

Some booksellers have been coming up with interesting Book Tokens promotion schemes too.

Source: Canadian Booksellers Association

If you would like to discuss your Business Plan or have problems and questions related to its preparation, feel free to call the Centre and arrange to meet with one of the counsellors.

Business Resource Centre
6th Floor, 155 Carlton
Winnipeg, Manitoba
R3C 3H8

Phone: 945-7738
Toll Free in Manitoba
1-800-282-8069

Western Regional Office
P.O. Box 1300
231 - 10th Street
Brandon, Manitoba
R7A 6N1

Phone: 726-6250

APPENDIX I

Sample Profit and Loss Statement¹

(Operating Expense Ratios)

Typical ranges for bookstores with annual gross sales of \$75,000 to \$100,000.

NET SALES		100%
COST OF SALES		
(Including freight, returns)	59.0	- 63.0%
GROSS PROFIT	37.1	- 41.0%
EXPENSES		
Wages (including owner's)	16.0	- 19.0%
Rent	6.0	- 8.5%
Advertising	1.5	- 1.7%
Insurance	1.5	- 2.3%
Telephone	1.0	- 1.3%
Utilities	1.0	- 2.0%
Licenses and Taxes	.8	- .9%
Professional Services	.8	- .9%
(Legal and Accounting)		
Supplies	.9	- 1.0%
Dues and Subscriptions	<u>.3</u>	- <u>.5%</u>
TOTAL EXPENSES	29.8	- 38.1%
NET INCOME (Before Taxes)	1.3	- 8.8%

¹ Source: Obtained from Alberta Department of Economic Development and Trade Microfiche information.

APPENDIX II

Type of Merchandise

<u>Sales by Volume</u>	<u>Hardcover/ Trade Paperbacks</u>	<u>Mass Market Paperbacks</u>	<u>Remainders</u>	<u>Rare/ Used</u>	<u>Maga- zines</u>	<u>Other</u>
Under \$50,000	64.3%	25.3%	1.7%	1.1%	2.0%	5.0%
\$ 50,000 - \$100,000	40.9%	46.9%	2.4%	1.5%	1.5%	6.3%
\$100,000 - \$150,000	50.1%	40.2%	4.3%	0.8%	2.0%	3.1%
\$150,000 - \$300,000	53.8%	37.1%	4.5%	0.0%	1.7%	3.0%
\$300,000 - \$500,000	43.3%	41.7%	1.7%	0.0%	0.0%	3.3%
\$500,000+	63.3%	25.0%	6.7%	1.0%	0.7%	3.3%
All - average	50.5%	39.1%	3.6%	0.8%	1.7%	4.3%
Standard Deviation	19.7	17.0	5.9	1.9	3.4	6.0

APPENDIX III

Source of Sales, by Customer

<u>Sales Volume</u>	<u>Over the Counter</u>	<u>Mail Order</u>	<u>Institutions</u>	<u>Other</u>
Under \$50,000	86.1%	9.1%	3.5%	1.3%
\$ 50,000 - \$100,000	93.1	2.3	3.2	1.3
\$100,000 - \$150,000	92.6	2.8	4.1	0.5
\$150,000 - \$300,000	89.9	1.7	7.3	1.1
\$300,000 - \$500,000	70.7	5.0	24.3	0.0
\$500,000+	67.7	16.7	15.0	0.6
All - average	89.1	3.8	6.0	1.1
Standard Deviation	12.1	7.5	8.1	2.4

Source: Canadian Booksellers Association

APPENDIX IV

Sales by Types. Hard cover books account for 26% of unit sales and 60% of dollar sales, paperbacks 74% and 40% respectively (Publishers Weekly). Percent distribution of 1980 publishers' sales by the book industry's standard classification (American Book Publishers Association):

Textbooks	27.0%	Book Clubs	7.4%
Mass-Market Paperbacks	15.2	Reference	5.0
Prof./Business	14.9	Religious	4.7
Adult Trade	9.6	Juvenile Trade	2.5
Mail Order	8.5	University Presses	1.1
		All Other	1.1

Titles. There are over 425,000 in print today. In the average year, 40,000 new titles are published (27,500 hard cover, 12,500 paperback). 88% of these are non-fiction, 12% fiction (Publishers Weekly).

Buying Habits. Only 25% of book store shoppers make a purchase, the rest being browsers (Waldenbooks). A Redbook survey found 75% of women buying paperbacks at some time, 33% within the past three months. Main reasons for store choice: convenience 31%, brand 25%, selection 24%, value 15%, other 5%.

Reading Habits. On the average day, 24% of all person 12+ read a book for pleasure (Scripps-Howard). Within six months, 55% of all persons 16+ read at least one book for any reason. Of this group, 24% read 1-3 books, 31% 4-9 books, 27% 10-25 books, 18% over 25. 93% get some of their books without buying them (i.e. borrowing from libraries, friends, relatives). 37% buy books as gifts. Main reasons for reading: pleasure 36%, general knowledge 25%. The average book reader spends 2 hours a day reading (Book Industry Study Council).

Demographics of Book Readers. The Book Industry Study Council survey profiled a percent distribution of readers:

<u>Age:</u> 16-20	17%	<u>Income:</u> \$30,000+	10%	<u>Education:</u>	
21-29	23	\$20,000-29,999	21	College Graduate	12%
30-39	30	\$10,000-19,999	32	Some college	23
40-49	15	Under \$10,000	24	High school grad.	35
50-59	12	No reply	13	Less than above	30
60+	13				
		<u>Sex:</u> Men	42%	<u>Race:</u> White	89%
		Women	58	Black	11

An American Council For The Arts survey in asking how people spend their leisure time, found 40% saying they read books a great deal, 35% somewhat, 17% very little, 8% not at all. 48% of women and 31% of men read a great deal, likewise 46% of college graduates, 51% of those with some college, but only 33% with no more than a high school education (there was little difference by age or income).

Libraries. A Gallup Poll for the American Library Association found 51% of all adults visiting a library at least once a year. Of this group, 50% went 1-5 times, 33% 6-25 times, 17% over 25 times. Of those visiting a library, 75% borrowed books, 56% used reference materials, 49% read newspapers or magazines there, 20% took out records or tapes. 39% asked the library to answer a question. When adults were asked where they obtained the last book they read, 11% mentioned a library.

Categories of Book Stores. 31.4% are general line, 16.9% specialty, 15.6% college, 14.4% religious, 8.7% antiquarian, 7.4% department store, 5.7% paperback only (Publishers Weekly).

When Business Occurs. Book stores sales by months (U.S. Department of Commerce, 3-year average):

January	8.5%	May	7.0%	September	9.5%
February	6.4	June	7.1	October	8.6
March	6.5	July	6.8	November	9.4
April	6.6	August	8.8	December	14.9

Retail Outlets. Estimated share of market for non-institutional outlets (based on a compilation of trade sources):

Book stores	36.4%	Book clubs	7.5%
College stores	17.5	Discount stores	1.8
Mail order	8.6	Food stores	1.5
Drug stores	7.9	All others	18.8

The top four book chains (Dalton, Waldenbooks, Barnes & Noble, Crown) did \$770 million through 1,460 stores in 1981, or 22.6% of all book store sales nationally (Chain Store Age).

Source: Publishers Weekly.

APPENDIX V

TABLE A. Analysis of Sales Per Selling Area by Kind of Business and Region, Ranked by Sales Per Square Foot of Selling Area

Region. Quartiles and Weighted Averages	Sales - Ventes: Lower Quartile Values Valeur minimum du quartile		Average Annual Sales \$ 000'S Ventes annuelles moyennes	Selling Area Average Superficie moyenne de vente		Type of Store Location Genre d'emplacement				
	Square Foot Pieds carrés	Square Metre Mètres carrés		Square Feet Pieds carrés	Square Metres Mètres carrés	On Street Sur rue %	Shopping Centre		Centre Commercial	
							Neighbour- hood de quartier %	Community Communau- taire %	Regional Régional %	Indoor Mall Mail intérieur %
Region. Quartiles et moyennes pondérées										

Books & Stationery Stores Librairies et papeteries										
Manitoba										
Top 25% Supérieur 25%	205	2,267	282	1,079	99	31	10	10	48	-
Upper Middle 25% Intermédiaire supérieur 25%	133	1,432	264	1,481	136	55	23	-	22	-
Lower Middle 25% Intermédiaire inférieur 25%	78	640	112	1,167	107	70	30	-	-	-
Bottom 25% Inférieur 25%			34	768	71	100	-	-	-	-
Average Moyenne			159	1,079	89	69	13	2	18	-

Appendix IV. Sample and store count by kind of business & region

Sample and store count by region	Number in sample Nbre dans l'échantillon	Number of inde- pendent stores Nbre de magasins inde- pendants	Number in sample Nombre dans l'échantillon				
	Ontario	Manitoba	Saskat- chewan	Alberta	British Columbia Colombie- Britannique	Yukon	Northwest Territories Territoires du Nord Ouest
Books & stationery stores	45	26	11	18	30	-	-

Source: Statistics Catalogue #61-522
Sales Per Selling Area of Independent Retailers 1986.

REFERENCES

Canadian Booksellers Association Membership \$125.00
301 Donald Avenue
Toronto, Ontario
M4J 3R8
Telephone: (416) 467-7883

Associations

Canadian Book Information Centre (1975)
260 King Street East
Toronto, Ontario
M5A 1K3
Tel: (416) 362-6555
National Manager: Gordon Platt
Pub: Monthly Bulletin/Newsletter and Media list for members

International Standard System Number can be obtained from:
National Library of Canada
395 Wellington Street
Ottawa, Ontario
K1A 0N4
Tel: (613) 994-6895

To obtain catalogues of:

Canadian Books in Print

(U.S.) Books in Print

Contact:

University of Toronto Press
5201 Dufferin Street
Downsview, Ontario
M3H 5T8
Tel: (416) 667-7767

R.R. Bowker Company
205 East 42nd Street
New York, NY 10017
USA
Tel: (212) 916-1000

Canadian Telebook
Suite 103-200 Consumers Road
Willowdale, Ontario
M2J 4R4
Tel: (416) 497-9272

Baker & Taylor
501 South Gladiolus Street
Mokense, Illinois 60954
USA
Tel: (815) 472-2444

Ingram Book Co.
347 Reedwood Drive
Nashville, Tennessee 37217
USA
Tel: (615) 793-5000

British Books in Print
Children's Books in Print

Harcourt, Brace and Jovanovich
55 Barber Greene Road
Don Mills, Ontario
M3C 2A1
Tel: (416) 444-7331

Booksellers-Trade Magazine

Quill & Quire
Key Publishers Co. Ltd.
Ste. 213, 56 The Esplanade
Toronto, Ontario
M5E 1A7
Tel: (416) 364-3333

Canadian Magazine
(Canadian Books/Authors Reviews)

Books in Canada
366 Adelaide Street East
Toronto, Ontario
M5A 1N4
Tel: (416) 363-5426

Canadian Periodical Pub. Assoc.
2 Stewart Street
Toronto, Ontario
M5V 1H6
Tel: (416) 362-2546

U.S. Trade Magazine for Booksellers

Publishers Weekly
P.O. Box 67
Whitinsville, Massachusetts
USA

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945-7738

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Retail Business Plan

Small Business Finance Plan

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Bookkeeping

OF INTEREST TO BOOKSELLERS

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Yes! Through strength in numbers, booksellers across Canada can achieve valuable cost savings. As a CBA member, you benefit from the MasterCard/VISA program, group insurance rates, car rental discounts and other membership services.

How does the VISA/MasterCard Program work?

CBA members can obtain special discount rates for their MasterCard transactions, negotiated by the association with Canada Trust (an affiliated credit unions). In addition, members can get similar negotiated rates with the Bank of Nova Scotia for VISA transactions. By signing up for a Point of Sale (POS) authorization terminal, the MasterCard rate is 1.65% and the VISA rate is 1.75%. The POS terminal saves time and money with the advantage of automatic authorizations and electronic bank deposits. For members who deposit their slips manually, the discount rate is still very advantageous (1.95% for MasterCard and 2.25 for VISA).

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Are you looking for fire and theft insurance? Royal Insurance offers a flexible alternative for CBA members under its Storeshield and Storeshield + Plan. It's useful to review your insurance plans each year to make sure you are getting the best deal.

How do I save money on car rental?

Under a group rate for association members, CBA booksellers qualify for an upgraded car rental program through Hertz, including unlimited mileage and computerized driving instructions. Ideal for the CBA's June Convention in Vancouver! And the Booksellers Education Foundation receives a small dividend for each car rented. Contact the CBA office for your Hertz sticker and a brochure describing the program.

Can I get a copy of the membership list?

Yes! Each September, the complete membership list is updated and mailed to each member. Additional copies are available free of charge to CBA members.

What is the Book Industry Freight Consolidation?

The Book Industry Freight Consolidation Plan uses the strength of the industry as a whole to negotiate special rates with CanPar and Canadian Pacific Express and Transport for consolidated shipments to most parts of the country. The consolidation is used by booksellers, publishers and printers. It has resulted in faster service, fewer damaged shipments and a considerable reduction in freight rates. Booksellers have reported savings of 30% or more in shipping costs.

The Consolidation ensures that, whatever the weight of a shipment, the bookseller can save by using the least expensive method of transport, be it Book Post, CanPar or CPET. You mark your order, "Ship via freight consolidation". The publisher decides on the best method of shipment. A freight consolidation leaflet is put out by the Book and Periodical Council (BPDC) early in the year and is mailed to you by CBA.

What is the Booksellers Service House?

The Booksellers Service House is an important part of the CBA, one you probably use frequently. Here you can buy many products developed by the association to meet booksellers' needs. Whether it's material you need for your business operations or products for promotional activities, the BSH can help you out with quality and price.

BSH also undertakes bulk purchases of books, so as to offer better terms to you. An illustrated catalogue of BSH products is published each year. This year a glossy 8-page fully illustrated catalogue with order form was produced and mailed to all active members. And remember BSH offers generous terms: free freight and net 60 days.

What business tools can I buy from BSH?

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Try out one of BSH's top sellers: plastic bags. We ship more than one million of these to booksellers every year. The bag design features the definition of a book and a bookstore printed dark green and white. In different sizes for your needs, the bags come from paperback size to shopping bag.

What kind of promotional items does the BSH produce?

Looking for in-store promotion tools? The BSH produces acrylic book stands -- ideal for easy display within your store. Or try out the bright yellow book flags to highlight a new or recommended title -- or an autographed copy.

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This year "It's the Little Things the Count" Marketing Kit has been developed to help booksellers produce their own attractive shelftalk and window display messages as well as hang posters in an easy, convenient way. The success of this kit has led to the development of a new kit of exciting and useful POS gadgets to be available in 1989.

What are seasonal marketing packages?

Today's booksellers are looking for practical, eye-catching ways to market themselves to their customers. The seasonal marketing packages do just that.

Do CBA publications keep me up to date on the industry?

CBA regularly puts out three publications to keep you informed on your industry. Ten times year you receive your own trade magazine, The Canadian Bookseller, full of news, comments, updates and analysis of your industry. Articles are often by knowledgeable booksellers offering you the benefit of their experience.